

in coin. The situation in France differed from that in Germany and the United States in the respect that the notes of the departmental banks were made legal tender after the revolution of 1848 within the department where they were issued, but were forced into an inferior position by the notes of the Bank of France, which were legal tender throughout the republic. The circulation of the bank-notes of Germany and the United States without the legal tender quality might have been maintained at par with coin (from which they do not seem to have departed in Germany) under a system of closer union among the banks and prompter means of communication.

The government of Prussia took action as early as 1846 towards the centralization of the banking system, by the ordinance of October 5th, which provided that the provincial banks of the Kingdom should cease their operations when the Bank of Prussia should lose its special privileges. Another act, which indicated the purpose of the government to keep matters in its own hands, was the law of May 7, 1856, renewing the privileges of the Bank of Prussia, but reserving to the executive power the right at the end of 1871 and every ten years thereafter to dissolve the bank and return the capital to the shareholders. This provision necessarily exposed the other banks, under the ordinance of 1846, to dissolution as banks of issue at the end of the same period. The law remained in this condition until the reorganization of the North German Confederation under the headship of Prussia in 1867. A provision was then incorporated in the constitution of North Germany confiding to the Federal Assembly exclusively the regulation of banks of issue. The power remained in abeyance for a few years, when the law of March 27, 1870, reserved to the Confederation the right of granting the power of issue or of increasing the monetary circulation. The law stipulated that the renewal of the privilege of issue should not henceforth be granted except upon the condition that it might be revoked at any time upon preliminary notice of one year. It was also provided that where a bank possessed the right of issue for a definite